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Supreme Court, U.S.
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No. 99-502

In The

Supreme Court of the United States

DONALD E. NELSON,

Petitioner,

v.

ADAMS, USA, INC. and APEHEAD MANUFACTURING, INC.,

Respondents.

On Writ Of Certiorari To The United States Court Of Appeals For The Federal Circuit

BRIEF OF RESPONDENTS

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QUESTION PRESENTED

Whether a patent applicant who engaged in inequitable conduct may be joined as a party and held liable for attorneys' fees in litigation instituted by his corporation to enforce patents obtained as the fruits of his inequitable conduct, and if so, whether the District Court abused its discretion when it allowed such joinder.

PARTIES TO THE PROCEEDING

The Brief of Petitioner accurately lists the parties to this proceeding.

There is no parent or publicly held company owning 10% or more of the stock of Respondent Adams, USA, Inc.

There is no parent or publicly held company owning 10% or more of the stock of Respondent Apehead Manufacturing, Inc.

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COUNTERSTATEMENT OF THE CASE

This petition is brought by Donald Nelson, the president and sole shareholder of Ohio Cellular Products, Inc. ("OCP"). Nelson's company, OCP, brought this action claiming that Respondents Adams USA, Inc. and Apehead Manufacturing, Inc. (collectively, "Adams") were infringing OCP's rights in patents originally issued to Nelson and a co-inventor. On October 11, 1995, the District Court granted summary judgment against OCP on the ground that the patents were invalid, holding that they were anticipated by U.S. Patent No. 4,524,037 (the "Marc '037 patent"). The District Court's decision invalidating the patents was upheld on appeal to the U.S. Court of Appeals for the Federal Circuit in an opinion dated December 23, 1996. *See Ohio Cellular Products v. Adams USA, Inc.*, 104 F.3d 376 (table), 41 USPQ2d 1538 (full opinion) (Fed. Cir. 1996). The invalidation of the patents is the law of the case.

While the appeal was pending, Adams sought an award of attorneys' fees. After the invalidation of the patents was affirmed, on February 12, 1997, the District Court held that Adams was entitled to an attorneys' fee award based on inequitable conduct committed by Nelson before the United States Patent and Trademark Office ("PTO"). OCP moved to vacate and reconsider the award of attorneys' fees. In its September 25, 1997 opinion denying that motion, the District Court explained that the attorneys' fee award was proper because of Nelson's inequitable conduct:

> Based on the depositions, affidavits, and testimony adduced at the evidentiary hearing, the Court finds that *Donald Nelson* knew, prior to

> 1992 of the [pertinent prior art]. . . . *Nelson* did not disclose that information to the PTO . . . , although he knew the information was material. The Court finds further that *Nelson's* conduct manifests a sufficiently culpable state of mind to warrant a determination that it resulted from an intent to mislead the PTO. Therefore, Plaintiff is guilty of inequitable conduct before the PTO, and is liable to Defendants for their reasonable legal fees expended in this case.

Appendix to Petition for Cert. at p. 65 (emphasis added).

It then appearing OCP would be rendered insolvent, and because the fee award was based on inequitable conduct solely committed by Nelson, Adams moved to amend its third-party complaint to name Nelson as a party and to amend the judgment to name Nelson as an additional party against whom the judgment was entered. OCP – controlled by Nelson, and on his behalf – opposed that motion.[1]

The District Court granted that motion, thereby adding Nelson as an additional party obligated on the judgment. The joinder was based on the clear evidence that Nelson controlled the litigation on behalf of OCP, that Nelson and OCP had a unity of interest in the litigation, and that Nelson was personally responsible for the inequitable conduct on which the attorneys' fee award was based. The District Court held:

---

[1] *See* Nelson's Corrected Brief on Appeal filed with the Federal Circuit at pp. 6-7 ("*Over the objections of Donald Nelson,* the lower court granted the defendants' motion thereby subjecting Donald Nelson to liability for the attorney fees and costs. . . . ") (emphasis added).

> [T]here is no dispute that Defendants' claim against Nelson arises out of the same conduct set forth in the original pleadings – inequitable conduct before the PTO. Indeed, *the Court's finding that the Plaintiff corporation had engaged in inequitable conduct before the PTO was based on a factual determination that Nelson had intentionally failed to disclose a material piece of prior art to the PTO.* . . .
>
> . . . . Nelson is the president and sole shareholder of the Plaintiff corporation; thus, *the identity of interest between the two parties is near-complete.* Nelson had every reason to believe from the moment that Plaintiff corporation instituted this action that every penny the corporation spent would be a penny out of his own pocket. Further, Nelson has been actually aware of and involved in this litigation from its outset; *he was the motivating force behind the institution of the lawsuit.* He has diligently – even fiercely – acted to protect his interests at every stage of the proceedings.

Appendix to Petition for Cert. at p. 74 (emphasis added).

Having been added as a defendant against whom the judgment was entered, Nelson fought vigorously to escape that result. On April 8, 1998, Nelson, *appearing individually,* brought a motion to amend the judgment to delete him as a party. In that motion, Nelson argued (1) that 35 U.S.C. § 285 does not allow an award of attorneys' fees against an individual who engaged in inequitable conduct before the PTO on behalf of a corporation, and (2) that he could not be held liable under § 285 because he was not a party to the litigation. *See* Motion of Donald Nelson to Alter & Amend March 25, 1998 Memorandum

Opinion and Judgment Entry and the Reply of Donald Nelson to Response of Adams, USA, Inc. to His Motion to Alter & Amend March 25, 1998 Memorandum Opinion and Judgment Entry. (Docket Entries Nos. 133 and 146 [J.A. at 30-31].) The District Court considered those arguments and rejected them, denying Nelson's motion on May 18, 1998. *See* Appendix to Petition for Cert. at pp. 78-81. (*See also* Docket Entries Nos. 150 and 151 [J.A. at 32]). In that motion, Nelson *did not raise the issues of due process, personal jurisdiction, or service of process, nor did he challenge the finding of inequitable conduct.*

On June 11, 1998, Nelson, *again appearing as an individual,* filed a response opposing Defendants' Supplemental Petition for Attorneys' Fees. *See* Response of Ohio Cellular Products Corporation and Donald Nelson to Defendants' Supplemental Petition for Attorneys' Fees. (Docket Entry No. 156 [J.A. at 33].) Again, Nelson *did not raise the issues of due process, personal jurisdiction, or service of process, nor did he challenge the finding of inequitable conduct.*

On June 16, 1998, Nelson appealed to the Federal Circuit, arguing that the District Court's entry of judgment against him was improper because 35 U.S.C. § 285 does not allow for the imposition of an attorneys' fee award against a non-party. (*See* Docket Entry No. 157 [J.A. at 33].) On April 26, 1999, the Federal Circuit affirmed the District Court. *See Ohio Cellular Products Corporation v. Adams USA, Inc.*, 175 F.3d 1343 (Fed. Cir. 1999). The Federal Circuit noted Nelson's control over OCP and his responsibility for the inequitable conduct:

> Nelson, as an inventor of the '702 patent and president and sole shareholder of Ohio Cellular, was intimately involved in the prosecution of the '702 patent and *his conduct was the sole basis for the district court's conclusion that Ohio Cellular committed inequitable conduct.*

Appendix to Petition for Cert. at p. 20 (emphasis added). The Federal Circuit rejected Nelson's contention that he had appropriately informed his attorney:

> . . . Nelson alone was responsible for the inequitable conduct. There is no evidence before us, moreover, that the attorney who prosecuted the application was aware of the undisclosed material prior art. Instead, it appears that Nelson withheld the prior art from his attorney and thus from the Patent Office.

Appendix to Petition for Cert. at p. 19, n.3. The Federal Circuit further found that Nelson controlled the litigation on OCP's behalf:

> [A]s president and sole shareholder of Ohio Cellular Nelson could control and did control litigation decisions made on behalf of Ohio Cellular . . . [and] as the person solely responsible for the inequitable conduct and as a president and sole shareholder of Ohio Cellular, Nelson should have known he could be held personally liable.

Appendix to Petition for Cert. at pp. 27-28. *In that appeal, Nelson still did not raise the issues of due process, personal jurisdiction, or service of process.* Although challenging whether he could be held personally liable, **Nelson stated he was not challenging the finding he committed the**

inequitable conduct. *See* Petition for Rehearing and Suggestion for Rehearing in Banc filed with the Federal Circuit at p. 2, n.1 (Although the commission of inequitable conduct "was disputed in the district court . . . no argument was presented on appeal . . . ."). *See also* Corrected Brief for Appellant filed with the Federal Circuit at p. 5, n.1. As the Federal Circuit held, "Nelson does not here contest the holding of inequitable conduct." *Ohio Cellular, supra,* 175 F.3d at 1348.

On May 7, 1999, Nelson requested rehearing *en banc* of the Federal Circuit's decision. There Nelson argued that he was prejudiced by Adams' delay in seeking to amend the third-party complaint to name him as a party.[2] *Nelson still did not raise the issues of due process, personal jurisdiction, or service of process, nor did he challenge the finding of inequitable conduct.*

Not until after the denial of *en banc* review did Nelson challenge the District Court's exercise of jurisdiction over him. Nelson began pursuing that new legal theory when, shortly before filing his Petition for Writ of Certiorari, he requested that the District Court grant relief from the judgment under Fed. R. Civ. P. 60(b). The District Court denied that motion on the grounds that the jurisdiction argument had been waived, holding: "It is not disputed that Nelson did not, in any of his prior

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[2] Nelson has now abandoned that argument. In his Petition for Writ of Certiorari, he concedes the District Court's decision to allow amendment, to join him as a party, and to do so after judgment was rendered is "clearly . . . consistent with the purpose and spirit of the Federal Rules of Civil Procedure." Petition for Cert. at p. 7.

pleadings, make the objections [to personal jurisdiction] he now seeks to raise." Appendix to Respondents' Brief in Opposition to Petition for Cert. at p. 6. Nelson's appeal of that decision is currently pending before the Federal Circuit. Although he never raised the issue in either the District Court or the Federal Circuit in the record on review, Nelson now attempts to assert the personal jurisdiction issue in this Court.

Similarly, in the appeal below, Nelson acknowledged he was not challenging the finding of inequitable conduct. Now he attempts to revive that issue as well. Lest there be any doubt, the record is replete with extensive support for the District Court's finding of fact that Nelson personally engaged in inequitable conduct more than adequate to support the finding this is an "exceptional case" warranting a fee award. *See, e.g.,* Brief of Appellees filed with the Federal Circuit at pp. 5-10 (summarizing evidence supporting District Court finding).

Nelson's own deposition testimony establishes that he became familiar with the pertinent prior art process disclosed in the Marc '037 patent in 1984 when it was practiced by FoamAid, a company for which Nelson was a Manufacturer's Representative. [J.A. at 103-05]. Testimony of David Halstead established Nelson's personal knowledge of the Marc/FoamAid process. Halstead testified that in early 1985, he met with Nelson at FoamAid. In that meeting, the Marc process was demonstrated to Halstead and Nelson. [J.A. at 140-49].

Nelson's co-inventor, James Lammy, was also familiar with the Marc/FoamAid process. Lammy's counsel

advised him not to execute the required inventor's declaration in connection with the application that matured into one of the patents in issue. Lammy informed Nelson that he would not sign the inventor's declaration. [J.A. at 204]. Nelson then actively misled the PTO concerning Lammy's refusal to sign the declaration, referring the PTO to irrelevant Marc patents rather than the Marc '037 patent disclosing the Marc/FoamAid process. [J.A. at 110-20].

The Patent Examiner allowed the patent to issue, but only after warning that issuance was allowed because the Examiner was not familiar with any patent or other "teaching or suggestion" disclosing the process. [J.A. at 208]. The Examiner specifically warned that if Nelson had any information bearing on the expressed reasons for allowance, he should promptly submit that information to the Examiner. [J.A. at 208]. Nelson did nothing to notify the Examiner of his knowledge of the Marc/FoamAid process, nor did he otherwise disclose the Marc '037 patent. [J.A. at 118-19]. Based on this and other evidence supporting a finding of intentional withholding of information by Nelson, the District Court found this to be an "exceptional case" within the meaning of 35 U.S.C. § 285 and entered judgment against OCP for attorneys' fees.

Although not challenging the finding of inequitable conduct in the appellate court below, Nelson now claims he fully informed the PTO of the preexisting process. Quite to the contrary, in the hearing on OCP's motion to reconsider the award of attorneys' fees, Nelson acknowledged his failure to disclose this information to the PTO:

Q. . . . [Y]ou did not know about the process prior to filing your patent application?

A. I knew about the FoamAid process, yes.

Q. But never disclosed it to the Patent and Trademark Office?

A. No.

[J.A. at 187-88]. [*See also* J.A. at 119].

SUMMARY OF ARGUMENT

A patent applicant has an "uncompromising duty" of candor to the Patent and Trademark Office that requires the applicant to disclose any and all pertinent prior art. Failure to satisfy the duty of candor constitutes inequitable conduct, and renders any litigation based on the wrongfully issued patents "exceptional" so as to support an attorney fee award under 35 U.S.C. § 285. The courts below held that Petitioner Donald Nelson committed inequitable conduct in failing to disclose a known prior technology that invalidated Nelson's patents. That finding was fully supported by the evidence, including Nelson's own testimony, and justifies the attorneys' fee award entered by the District Court. The fee award satisfies the policy of the Patent Act to deter wrongful conduct and prevent gross injustice to the wrongfully accused infringer, Adams. Nelson's liability is also consistent with the familiar principle of tort law that an individual is responsible for his tortious acts, even though liability may be imputed to another.

Even if this action were remanded, Nelson would be collaterally estopped from relitigating the determination that he committed sanctionable inequitable conduct. Nelson is bound by that finding because the issue was fully litigated by his corporation, Ohio Cellular Products, with which he shared an identity of interest, whose actions he controlled, and with which he is in privity for collateral estoppel purposes.

Nelson's due process challenge and his challenge to personal jurisdiction are without merit. Nelson has received due process because he had notice and the opportunity to be heard, and was in fact heard on numerous occasions. Moreover, Nelson waived any due process objection, and any objection to personal jurisdiction, by failing to raise them in his first defensive move, or indeed anywhere below. Nelson did not raise those defenses until after he had fully litigated an appeal before the Federal Circuit. A party who makes post-judgment appearances without raising the defenses of lack of due process or personal jurisdiction waives those defenses.

ARGUMENT

I. THE FRAUD ON THE PATENT AND TRADEMARK OFFICE COMMITTED BY NELSON JUSTIFIES THE FEE AWARD ASSESSED AGAINST HIM.

The process by which one seeks a patent from the PTO, commonly known as patent prosecution, is an *ex parte* proceeding. Consequently, patent applicants are charged with the duty of utmost good faith and candor

requiring them to disclose to the PTO all known pertinent prior technology ("prior art").

> Applicants for patents are required to prosecute patent applications in the PTO with candor, good faith and honesty. See *Precision Instrument Mfg. Co. v. Automotive Maintenance Mach. Co.*, 324 U.S. 806, 818 (1945). . . . A breach of this duty constitutes inequitable conduct.

Molins PLC v. Textron, Inc., 48 F.3d 1172, 1178 (Fed. Cir. 1995). *See also La Bounty Manufacturing, Inc. v. U.S. International Trade Commission*, 958 F.2d 1066, 1070 (Fed. Cir. 1992).

Our patent system does not forgive neglect of this obligation because –

> One who has engaged in inequitable conduct has inflicted damage on the patent examining system, obtaining a statutory period of exclusivity by improper means, and on the public, which must face an unlawfully-granted patent.

Molins, supra, 48 F.3d at 1182.

The following three elements establish inequitable conduct, also commonly referred to as "fraud on the PTO":

> (1) prior art or information that is material; (2) knowledge chargeable to the applicant of that prior art or information and of its materiality; and (3) failure of the applicant to disclose the art or information resulting from an intent to mislead the PTO.

FMC Corp. v. Manitowoc Co., 835 F.2d 1411, 1415 (Fed. Cir. 1987).

As this Court noted long ago, inequitable conduct causes the intolerable fraud on the public resulting from violation of a patent applicant's "uncompromising duty" of candor to the PTO.

> Those who have applications pending with the Patent Office . . . have an uncompromising duty to report to it all facts concerning possible fraud or inequitableness underlying the applications in issue [citation omitted]. Their duty is not excused by reasonable doubts as to the sufficiency of the proof of the inequitable conduct nor by resort to independent legal advice. Public interest demands that all facts relevant to such matters be submitted formally or informally to the patent office, which can then pass upon the sufficiency of the evidence. Only in this way can that agency act to safeguard the public in the first instance against fraudulent patent monopolies. Only in that way can the Patent Office and the public escape from being classed among the 'mute and helpless victims of deception and fraud.' [Citation omitted.]

Precision Instrument Manufacturing Company v. Automotive Maintenance Machinery Company, 324 U.S. 806, 818 (1945).

The District Court expressly found the patents in issue were obtained as the fruits of "inequitable conduct" committed by Nelson in the course of the patent prosecution process.

> Indeed, the Court's finding that the Plaintiff corporation had engaged in inequitable conduct before the PTO was based on a factual determination that Nelson had intentionally failed to disclose a material piece of prior art to the PTO. Nelson personally claimed to be the inventor of

> the process for which he sought and obtained the patents that were subsequently invalidated by this Court. Nelson is the president and sole shareholder of the Plaintiff corporation. The evidence is clear that Nelson was personally involved in all aspects of the Plaintiff corporation's operations, including the prosecution of the invalid patents and the filing of the instant lawsuit.

March 25, 1998 Memorandum Opinion reprinted in Appendix to Petition for Cert. at p. 74.

The legislative history of the patent fee award statute provides courts may grant an award if necessary to "prevent a gross injustice to an alleged infringer." S. Rep. No. 1503, 79th Cong., 2d Sess. (1946), *reprinted in* 1946 U.S. Code Cong. Serv. 1336, 1387.

To carry out that policy and this Court's firm denunciation of fraud on the PTO, the Federal Circuit, and prior to that, the regional circuit courts have consistently held that inequitable conduct is a classic example of the type of behavior to be sanctioned through a 35 U.S.C. § 285 attorneys' fee award.

> Such injustice certainly includes situations where a patentee has litigated in bad faith, or committed fraud or other inequitable conduct during prosecution before the Patent and Trademark Office.

Machinery Corporation of America v. Gullfiber, 774 F.2d 467, 472 (Fed. Cir. 1985). *See also Arbrook, Inc. v. American Hospital Supply Corporation*, 645 F.2d 273 (5th Cir. 1981) (same).

Early in the history of the Federal Circuit, that Court surveyed the pre-existing law among the regional circuits relating to § 285 fee awards and summarized the law as follows:

> Cases awarding attorney fees to prevailing patentees have typically found 'exceptional' circumstances in willful and deliberate infringement by an infringer, or in the prolongation of litigation in bad faith. When prevailing alleged infringers are awarded attorney fees, 'exceptional' cases have involved litigation in bad faith by the patentee, or *fraud or other inequitable conduct during prosecution before the PTO. We are also cognizant of the frequently-cited policy considerations in support of the award of attorney fees to a party who succeeds in invalidating 'fraudulent' patents.*

Rohm & Haas Company v. Crystal Chemical Company, 736 F.2d 688, 691-92 (Fed. Cir. 1984). *See also Bayer Aktiengesellschaft v. Duphar International Research B.V.*, 738 F.2d 1237, 1242 (Fed. Cir. 1984) ("[S]uch exceptional circumstances include, inter alia, inequitable conduct during prosecution of a patent, misconduct during litigation, vexatious or unjustified litigation, or a frivolous suit.").

The clear public policy of 35 U.S.C. § 285 is to penalize scienter-based behavior. The broad body of case law interpreting § 285 uniformly holds that where there is fraud, malice, bad faith or similar reprehensible conduct, a "gross injustice" has occurred. "The purpose of § 285 is to prevent gross injustice . . . ." *Arbrook, Inc., supra*, 645 F.2d at 279. More specifically,

> Section 285 of Title 35 permits an award of attorneys' fees in patent cases when the circumstances are exceptional. In *Hoge Warren Zimmerman Co. v. Nurte & Co.*, 295 F.2d 779, 784 (6th Cir. 1961), we noted that 'exceptional circumstances have been interpreted as incorporating concepts of fraud, malice, bad faith and other similar concepts.' In *Uniflow Manufacturing Co. v. King-Seeley Thermos Co.*, 428 F.2d 335, 341 (6th Cir.) cert. denied, 400 U.S. 943, 91 S.Ct. 245, 27 L.Ed.2d 248 (1970), we indicated that an award of attorneys' fees will be upheld if the trial court specifically finds conduct that is unfair, in bad faith, inequitable or unconscionable.

Deyerle v. Wright Manufacturing Company, 496 F.2d 45, 54-55 (6th Cir. 1947).

Likewise, in its early survey of the law relating to patent litigation fee awards, the Federal Circuit noted as follows:

> *'The exercise of discretion* in favor of such an allowance *should be bottomed upon* a finding of *unfairness or bad faith in the conduct of the losing party,* or some other equitable consideration of similar force, *which makes it grossly unjust that the winner of the particular law suit be left to bear the burden of his own counsel fees* which prevailing litigants normally bear.'

Rohm & Haas Co., supra, 736 F.2d at 691 (Court's emphasis). *See also Reactive Metals and Alloys Corp. v. ESM, Incorporated*, 769 F.2d 1578, 1582 (Fed. Cir. 1985) ("[B]ad faith conduct" renders matter "exceptional case" warranting fee award.); *Eltech Systems Corp. v. PPG Industries, Inc.*, 903 F.2d 805, 811 (Fed. Cir. 1990) ("[B]ad faith" is a prerequisite of fee award.); *Machinery Corporation, supra,*

774 F.2d at 473 ("[W]rongful intent" or "gross negligence" must be proven.); and *Stevenson v. Sears, Roebuck & Company*, 713 F.2d 705, 713 (Fed. Cir. 1983) ("There must be some finding of unfairness, bad faith, or inequitable conduct . . . .").

As noted above, a classic example of the "fraud", "bad faith", or "wrongful intent" requisite to support a § 285 fee award is the "inequitable conduct" or "fraud on the PTO" committed by the Patentee – here Donald Nelson.

> An applicant's fraud on the Patent Office is enough standing alone to convert his later infringement action into an exceptional case within the meaning of section 285. But conduct short of fraud and in excess of simple negligence is also an adequate foundation for deciding that a patent action is exceptional. Such conduct is a serious breach of the patentee's duty to the Patent Office. The party who succeeds in invalidating the unlawful patent performs a valuable public service. It is appropriate under such circumstances to reward the prevailing party by giving him attorney's fees for his efforts, and it is equally *appropriate to penalize in the same measure the patentee* who obtained the patent by his wrongdoing. [citations omitted.]

Monolith Portland Midwest Company v. Kaiser Aluminum & Chemical Corporation, 407 F.2d 288, 294 (9th Cir. 1969) (emphasis added). Likewise, as noted by the Tenth Circuit,

> The patentee's conduct in originally obtaining his patent should be scrutinized, since fraud on the Patent Office in that endeavor is enough

> itself to make a case exceptional, as is "conduct short of fraud and in excess of simple negligence."

True Temper Corporation v. CF&I Steel Corporation, 601 F.2d 495, 509 (10th Cir. 1979). *See also A.B. Chance Company v. RTE Corporation*, 854 F.2d 1307, 1312 (Fed. Cir. 1988) ("Inequitable conduct . . . either alone or in conjunction with trial conduct, may constitute the basis for an award of attorney fees.")

Here the District Court found Nelson alone committed inequitable conduct sufficient to support a fee award. Furthermore, because of privity with his company, OCP, Nelson is collaterally estopped from challenging these findings. Nelson did not appeal any of these findings and therefore is precluded from now claiming for the first time he did not commit inequitable conduct egregious enough to support a fee award. *See* 17 *Wright and Miller on Federal Practice* § 4036 at p. 35 (2d ed. 1988) ("[N]ew questions may not be raised for the first time on Supreme Court review.")

Consistent with the policy of § 285 to sanction wrongdoing, it was totally appropriate for the District Court, in its discretion, to assess the fee award against Nelson, the wrongdoer. *See Monolith, supra*, 407 F.2d at 294 ("[I]t is . . . appropriate to penalize . . . the patentee who obtained the patent by his wrongdoing"); and *Machinery Corporation, supra*, 774 F.2d at 475 ("[I]ndividual may be assessed fees under § 285 if his conduct supports a finding that the case is exceptional.").

Although Nelson personally committed the wrongdoing upon which the fee award was based, he seeks to

avoid accountability for his wrongdoing relying on a totally inapposite civil rights case, namely *Kentucky v. Graham*, 473 U.S. 159 (1985). That case, *based upon sovereign immunity*, held a government employer cannot be joined in a lawsuit and held vicariously liable for a fee award based on civil rights violations committed by governmental employees. In other words, the Court held that if the government is immune from liability for *damages* associated with the wrongdoing, then it is also immune from liability for a fee award. *Kentucky v. Graham* did not hold that the person who actually committed the wrongdoing cannot be held accountable for a fee award in cases where fee awards are warranted.

Nelson also proffers a specious analogy to fee awards in the 42 U.S.C. § 1988 context. The fallacy of this attempted analogy is readily apparent if one compares the purpose of 35 U.S.C. § 285 fee awards with the purpose of 42 U.S.C. § 1988 fee awards.

The purpose of an award under the Civil Rights Attorney's Fees Awards Act is to allow a fee recovery to the plaintiff for service "as a 'private attorney general,' vindicating a policy that Congress considered of the highest priority . . . to advance the public interest by invoking the powers of the Federal courts." S. Rep. No. 94-1011, 94th Cong., 2d Sess. (1976), *reprinted in* 5 U.S.C.C.A.N. 5908, 5910 (*quoting Newman v. Piggie Park Enterprises, Inc.*, 390 U.S. 400, 402 (1968)).

Consequently, logic, and the law relied upon by Petitioner, mandate that before an award is recoverable, the "private attorney general" must first obtain more than *de minimus* "results" beneficial to the public interest.

Quite differently, the purpose of a fee recovery in the patent litigation context is not necessarily to reward the prevailing party for results; rather, the purpose is to sanction or penalize wrongdoing. *Monolith, supra*, 407 F.2d at 294 ("[I]t is . . . appropriate to penalize . . . the patentee who obtained the patent by his wrongdoing").

Thus, the correct comparison to be made is to tort law, where the purpose is to hold tortfeasors personally accountable for their wrongdoing. Indeed, Petitioner expressly "agrees with the general applicability of tort principles to the attorneys' fees issue in this case." Reply to Respondents' Brief in Opposition to the Petition for Cert. at p. 4.

It was Nelson who committed the fraud in this action, albeit on behalf of OCP. Nelson wishes to avoid liability for his wrongdoing, seeking to deflect sole liability to his insolvent corporation. Nelson has contended that only the principal is liable when its agent personally commits a tort in service of the principal. Quite to the contrary, it is literally "hornbook" law that when an agent personally commits a tort in service of a principal, and although liability may be imputed to the principal, *the agent remains personally liable.* For instance, in his noted hornbook, Professor Prosser states as follows:

Concerted Action

> Where two or more persons act in concert, it is well settled both in criminal and in civil cases that each will be liable for the entire result. Such concerted wrongdoers were considered 'joint tort feasors' by the early common law. In legal contemplation, there is a joint enterprise, and a mutual agency, so that the act of one is the act of

all, and liability for all that is done must be visited upon each. . . .

Vicarious Liability

The liability of a master for the acts of his servant, or that of a principal for those of his agent, within the scope of the employment or agency, stands upon much the same footing. Under the doctrine of respondeat superior, the master becomes responsible for the same act *for which the servant is liable*, and for the same consequences. Again there is no logical basis for any division of damages between the two.

Prosser, Handbook of the Law of Torts, 4th ed. § 52, pp. 314-315 (emphasis added).

In the patent context, courts uniformly hold that notwithstanding the general immunity to corporate owners engaging in business through a corporate entity, if an owner or employee of the corporation actually *committed* the tort for which liability is imputed to the corporation, the individual is jointly liable and accountable for his wrongdoing, even if grounds do not exist for "piercing" the corporate veil.

> In general, a corporate officer is personally liable for his tortious acts, just as any individual may be liable for a civil wrong. This general rule does not depend on the same ground as 'piercing the corporate veil,' . . . .

Hoover Group, Inc. v. Custom Metalcraft Inc., 84 F.3d 1408, 1411 (Fed. Cir. 1996). *See also Orthokinetics, Inc. v. Safety Travel Chairs, Inc.*, 806 F.2d 1565, 1579 (Fed. Cir. 1986)

("[O]fficers of a corporation are personally liable for tortious conduct of the corporation if they personally took part in the commission of the tort. . . . ").

Indeed, in *Hoover*, the Federal Circuit specifically noted a corporate official is jointly liable with the corporation when the wrongdoing was attributable to "culpable intent or bad faith on the part of the officer; or . . . personal commitment of a fraudulent or grossly negligent act." *Hoover, supra*, 84 F.3d at 1411. *See also Fletcher Cyclopedia of the Law of Private Corporations* § 1143 where it is noted:

> A corporate officer or agent who commits fraud is personally liable to a person injured by the fraud. In other words, an officer of a corporation actively participating in the fraud practiced by it, cannot escape personal liability on the ground the officer was acting for the corporation. . . . *The corporation also may be liable, but the individual is not thereby relieved of his or her own responsibility.*

Id. (emphasis added).

In the patent prosecution context, it is clear any patentee who commits inequitable conduct, albeit on behalf of a corporate assignee of the invention, is nonetheless personally accountable for such wrongdoing, and in its discretion, the District Court may jointly assess the fee award against the individual wrongdoer. *See, e.g., Hughes v. Novi American, Inc.*, 724 F.2d 122 (Fed. Cir. 1984). In *Hughes*, the patentee was found to have committed inequitable conduct in association with procuring patents later assigned to a corporate entity. Based in part upon Hughes's inequitable conduct, the District Court

found the case to be "exceptional" and assessed a fee award jointly against Hughes individually and Oakwood, the assignee corporation.

In relation to Hughes's appeal of the fee award against him individually, the Court noted that "Hughes was guilty of fraud in procuring the patents." *Id.* at 123. Based in part on his commission of the wrongdoing, the Court found "[n]o abuse of discretion . . . with respect to the award against Hughes." *Id.* at 126.

The District Court here did not "impute" liability to Nelson based on any wrongdoing of OCP. The District Court merely held Nelson accountable for his *own* wrongdoing – completely consistent with pertinent authority which holds "an individual may be assessed fees under § 285 if his conduct supports a finding that the case is exceptional." *Machinery Corporation, supra,* 774 F.2d at 475 (*citing Hughes, supra*).

II. NELSON IS COLLATERALLY ESTOPPED FROM CHALLENGING THE DETERMINATION THAT ADAMS IS ENTITLED TO AN ATTORNEYS' FEE AWARD BASED ON NELSON'S INEQUITABLE CONDUCT.

Nelson argues that despite having had the benefit of multiple hearings below, he should be granted an opportunity to relitigate the issues determined against OCP in the District Court. However, even if this Court were to remand the case to the District Court, the doctrine of collateral estoppel would preclude Nelson from contesting the issues critical to his liability.

The doctrine of collateral estoppel – sometimes referred to as "issue preclusion" – prevents a party from relitigating issues that have been conclusively determined against that party. "A fundamental precept of common-law adjudication, embodied in the related doctrines of collateral estoppel and res judicata, is that a 'right, question or fact distinctly put in issue and directly determined by a court of competent jurisdiction . . . cannot be disputed in a subsequent suit between the same parties *or their privies. . . .* ' " *Montana v. United States,* 440 U.S. 147 (1979) (emphasis added) (*quoting Southern Pacific R. Co. v. United States,* 168 U.S. 1, 48-49 (1897)).

This Court has repeatedly recognized that collateral estoppel is conclusive not only as to the actual parties to prior litigation, but also to those in "privity" with the parties. The District Court correctly determined that Nelson was in privity with OCP, and that he was bound by the determinations against OCP. Nelson did not appeal the finding that he was in privity with OCP, and therefore is precluded from now claiming otherwise for the first time. *See* 17 *Wright and Miller on Federal Practice* § 4036 at p. 35 (2d ed. 1988) ("[N]ew questions may not be raised for the first time on Supreme Court review.")

This Court's prior decisions provide substantial guidance concerning the application of collateral estoppel to persons who were not parties to the litigation in which the issues were determined. The types of situations in which collateral estoppel may *not* be applied were illustrated in *Hansberry v. Lee,* 311 U.S. 32 (1940) and *Martin v. Wilks,* 490 U.S. 755 (1989). The facts there were very different from those of this case.

In *Hansberry*, the plaintiffs sought to invalidate a racially restrictive land-use covenant. The parties to the earlier litigation had stipulated that 95% of owners of the burdened land had originally agreed to the covenant as required for it to take effect. The District Court in the later action held that principles of res judicata bound the Hansberrys to that stipulation. The Hansberrys were neither parties to the prior litigation nor in privity with those who were. In discussing the issue, this Court wrote:

> It is familiar doctrine of the federal courts that members of a class not present as parties to the litigation may be bound by the judgment where they are in fact adequately represented by parties who are present, or where they actually participate in the conduct of the litigation in which members of the class are present as parties, . . . or where for any other reason the relationship between the parties present and those who are absent is such as legally to entitle the former to stand in judgment for the latter.

Hansberry, supra, 311 U.S. at 42-43. The requirements of collateral estoppel were not met there, however, because the parties to the prior litigation sought to *uphold* the restrictive covenant. They could not represent persons *challenging* the covenant's validity. The Hansberrys therefore were not bound by collateral estoppel. *Id.* at 44-46.

Hansberry thus stands for the familiar principle that if a party is to be bound by prior litigation, his interests must have been adequately represented in that litigation. The Court reached a similar result in *Martin, supra*. There, a local NAACP chapter and individual blacks had brought prior litigation based on discrimination in public

employment, which resulted in consent decrees dealing with hiring and promotion of blacks. *Martin* was brought by a group of whites who alleged that they were being unlawfully denied promotions in favor of less-qualified blacks. The defendant employers contended that their activities were required by the consent decrees, and that the action was an impermissible collateral attack on the consent decrees.

The Court cited the general rule that "[a] judgment or decree among parties to a lawsuit resolves issues as among them, but it does not conclude the rights of strangers to those proceedings." *Martin, supra*, 490 U.S. at 762. However, it recognized "an exception to the general rule when . . . a person, although not a party, has his interests adequately represented by someone with the same interests who is a party." *Id.* at 762, n.2. The exception did not apply there because the interests of the white employees were contrary to those of the black employees, precluding collateral estoppel.

Conversely, where the later litigant's interests were adequately represented in the prior litigation, collateral estoppel does preclude relitigation. In *Montana, supra*, a federal contractor unsuccessfully challenged the constitutionality of a Montana tax in litigation directed and financed by the United States. After resolution of that action, the United States pressed a similar challenge in its own name. The State of Montana defended on the grounds that the United States was bound by the prior litigation.

The Court noted that collateral estoppel is "central to the purpose for which civil courts have been established,

the conclusive resolution of disputes within their jurisdictions." *Montana, supra,* 440 U.S. at 153-154. The Court continued:

> To preclude parties from contesting matters that they have had a full and fair opportunity to litigate protects their adversaries from the expense and vexation attending multiple lawsuits, conserves judicial resources, and fosters reliance on judicial action by minimizing the possibility of inconsistent decisions.

Id.

The Court noted that collateral estoppel is applied not only against the parties to the prior litigation. Rather, "one who . . . assists in the prosecution or defense of an action in aid of some interest of his own . . . is as much bound . . . as he would be if he had been a party to the record." *Id.* The Court in *Montana* held that the United States was bound by collateral estoppel based on a three-part inquiry:

> first, whether the issues presented by this litigation are in substance the same as those resolved against the United States in [the contractor litigation]; second, whether controlling facts or legal principles have changed significantly since the state-court judgment; and finally, whether other special circumstances warrant an exception to the normal rules of preclusion.

Id. at 155.

Numerous other courts have reached the same result as in *Montana*. In *Mother's Restaurant, Inc. v. Mama's Pizza, Inc.*, 723 F.2d 1566 (Fed. Cir. 1983), the court held that a

franchisor was collaterally estopped to relitigate trademark issues that its franchisee litigated in an earlier state court action. In a case with facts strikingly similar to those of our case, the court in *A. Stucki Co. v. Schwam*, 634 F.Supp. 259 (E.D. Pa. 1986), held that the president and 50% owner of a corporation, who testified in a patent infringement trial as a representative of his company, could be held personally liable based on the finding of infringement in that action. *See also Tidewater Patent Development Co., Inc. v. Kitchen*, 421 F.2d 680, 681 (4th Cir. 1970) (a nonparty controlling patent litigation for named party is liable for attorneys' fee award); and *Sparks Nugget, Inc. v. Commissioner of Internal Revenue*, 458 F.2d 631 (9th Cir. 1972) (sole shareholder in corporation was collaterally estopped to challenge prior adjudication of fair rental value of property rented by the corporation). Such cases have often looked to whether one of the parties to the prior litigation is sufficiently closely aligned with a non-party as to be his "virtual representative" or whether the non-party "controls or substantially participates in the control" of the prior litigation. *Mother's Restaurant, supra,* 723 F.2d at 1572.

The *Restatement (Second) of Judgments* recognizes the same principle: "A person who is not a party to an action but who controls or substantially participates in the control of the presentation on behalf of a party is bound by the determination of issues decided as though he were a party." *Restatement (Second) of Judgments* § 39, at p. 382 (1982). The rationale for this rule, the reporters explained, is that "[a] person who assumes control of litigation on behalf on [sic] another has the opportunity to present proofs and argument on the issues litigated. Given this

opportunity, he has had his day in court and should be concluded by the result."

The three-part inquiry used in *Montana* shows that Nelson is collaterally estopped by the determinations against OCP. The issues as against Nelson are the precise issues determined against OCP; indeed, OCP's liability for attorneys' fees was predicated on Nelson's own inequitable conduct before the PTO. There is no change in the law, nor are there "special circumstances" that would preclude holding Nelson liable for the consequences of his own actions.

It is both fair and reasonable to hold Nelson to the findings in the litigation, whether based on the *Montana* analysis or on a finding of "virtual representation" or "substantial control." Nelson satisfies all of those tests. Nelson was the president and sole shareholder of OCP. As such, he directed OCP's actions in the litigation, was at all times aware of the status and strategy, and participated as a witness. Moreover, Nelson's inequitable conduct was the basis for the attorneys' fee award.

As a result, even if Nelson were to succeed in having this case remanded to the District Court, there would be nothing to litigate. All issues pertinent to Nelson's liability have already been adjudicated. Nelson is collaterally estopped from relitigating those issues.

III. NELSON WAS AFFORDED DUE PROCESS

Nelson now claims he was denied due process. *Nowhere* in his prior filings with the District Court did Nelson ever claim the joinder would violate his due

process rights. *Nowhere* in the appeal to the Federal Court did Nelson ever claim he was denied due process.

Not until *after the Federal Circuit affirmed* the joinder did Nelson ever claim he was denied due process. It is hornbook law that "new questions may not be raised for the first time on Supreme Court review." 17 *Wright and Miller on Federal Practice* § 4036 at p. 35 (2d ed. 1988).

Nevertheless, it is apparent Nelson was actually afforded due process. He was afforded an opportunity to be heard – and was heard – through multiple filings with both of the lower courts.

Nelson erroneously claims due process, at a bare minimum, requires service of a complaint and summons. In *Mullane v. Central Hanover Bank and Trust Company*, 339 U.S. 306 (1950), the Court did not so hold. Rather, what due process requires is notice "with due regard for the practicalities and peculiarities of the case" and an "opportunity to be heard." *Id.* at 314-15.

As the District Court found, Nelson fully participated in the case through his privity with his company, OCP. Indeed, before the Federal Circuit, Nelson acknowledged that the pre-joinder opposition to the motion to amend filed by OCP was actually his *personal objection* to the joinder. *See* Corrected Brief of Appellant filed with the Federal Circuit at pp. 6-7. Nelson was "heard."

Nor does *Mullane* mandate that service of a complaint and summons is the *only method* of providing adequate notice. Rather, with consideration of the "peculiarities" of that matter, the Court held that notice by "ordinary mail" would suffice. *Id.* at 318.

Adams readily concedes a *conventional* method of affording notice is through the service of a summons. However, Nelson goes much too far with his claim service of summons is the *only way* to afford notice.

Quite to the contrary, the Circuits routinely hold that even if the defendant was entitled to notice by service of *a complaint with summons*, but was mistakenly proceeded against by *motion* or *show cause order*, the requirements of due process are nonetheless satisfied if the defendant enters a general appearance without challenging the jurisdictional or due process inadequacies. *See United States v. Gajewski*, 419 F.2d 1088 (8th Cir. 1969); *Engineers Ass'n v. Sperry Gyroscope Co.*, 251 F.2d 133 (2d Cir. 1957); and *Carter v. Powell*, 104 F.2d 428 (5th Cir. 1939).

In *Gajewski*, the IRS proceeded judicially to obtain a *show cause order* compelling taxpayers to appear for audits. "[T]he enforcement proceedings were not commenced by the filing of a complaint in accordance with Rule 3, Fed.R.Civ.P. and . . . summons was not issued and served upon them as authorized by Rule 4." *Id.* at 1090-91. Later, after the court entered a compliance order, the parties then, "*for the first time*, raised the jurisdictional question." *Id.* at 1091 (Court's emphasis). The Court held,

> If there were any imperfections or irregularities in the procedure pursued in instituting the enforcement proceedings and the ensuing notices to appellants, *we believe the appellants waived same.*

Id. (emphasis added).

Similarly, in *Engineers, supra*, the plaintiff *petitioned* the court to compel arbitration, but failed to institute the

action by the filing of a complaint and service of summons as required by the pertinent provisions of the Labor Management Relations Act. The court *assumed arguendo* that filing of a complaint and service of summons was *mandatory* to institute such a proceeding; however, the defendant entered its appearance and "failed to object to the manner in which the proceeding had been commenced." *Id.* at 135. "The failure to do so is a waiver . . . and it is precluded from asserting this contention at this time." *Id.*

Likewise, in *Carter, supra*, the defendant belatedly claimed that an "order to show cause" in a receivership action "was insufficient process." Nonetheless, the Court held,

> This defense comes too late, having been made for the first time in the briefs in this court. The appellants therefore waived all defenses which they did not present. . . .

Id. at 430.

Finally, Nelson claims his entry of a personal appearance post-judgment cannot constitute a waiver of due process rights.[3] Nelson is mistaken. Even if a defendant's initial appearance is post-judgment, such an appearance constitutes waiver of any due process defenses if those defenses are not raised in that appearance. Due process

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[3] However, as noted above, in the Federal Circuit, Nelson acknowledged the pre-joinder appearance by OCP in opposition to the motion to amend was actually his personal opposition to the joinder. *See* Corrected Brief of Appellant filed with the Federal Circuit at pp. 6-7.

does not require that the opportunity to be heard be pre-judgment.

In an opinion by Justice Brandeis, this Court held "[d]ue process requires that there be an opportunity to present every available defense; *but it need not be before the entry of judgment.*" *American Surety Company v. Baldwin*, 287 U.S. 156, 168 (1932) (emphasis added). The Court there *assumed arguendo* that the judgment debtor was denied due process when a judgment was summarily entered without appropriate notice and without jurisdiction. Nevertheless, the Court held that objections to those defects were waived having not been asserted in the post-judgment motion to vacate. The Court assumed the judgment "violated the due process clause of the Fourteenth Amendment." *Id.* at 165. However, the judgment debtor "filed a motion in that court to vacate and set aside the judgment", and the motion did not "present the objection as one arising under the Fourteenth Amendment." *Id.* at 162 and 164.

Nelson had notice of the proceeding, entered an appearance, was repeatedly heard by the District Court, and fully heard on appeal. He was afforded due process.

IV. NELSON WAIVED THE DEFENSES HE BELATEDLY SEEKS TO RAISE

A. Nelson Waived The Jurisdictional Defenses By Not Raising Them In His "First Defensive Move."

"The personal jurisdiction requirement recognizes and protects an individual liberty interest. It represents a

restriction on judicial power not as a matter of sovereignty, but as a matter of individual liberty." *Insurance Corp. of Ireland, Ltd. v. Compagnie des Bauxites de Guinee*, 456 U.S. 694, 702-03 (1982). However, unlike subject matter jurisdiction, "the requirement of personal jurisdiction may be intentionally *waived*, or for various reasons a defendant may be estopped from raising the issue." *Id.* at 704 (emphasis added). *See also Neirbo Co. v. Bethlehem Shipbuilding Corp.*, 308 U.S. 165 (1939). Indeed, in *Combs v. Nick Garin Trucking*, 825 F.2d 437 (D.C. Cir. 1987), an opinion to which Nelson gives much credence, the Court expressly recognized an exception to the general requirement of personal service "when a defendant has waived insufficiency of service and thereby has voluntarily subjected himself to personal jurisdiction." *Id.* at 442, n.5 (*citing Hospital Mortgage Group, Inc. v. Parque Indus. Rios Canas, Inc.*, 653 F.2d 54, 56 (1st Cir. 1981); *United States v. Gluklick*, 801 F.2d 834, 837 (6th Cir. 1986); and *Veeck v. Commodity Enter., Inc.*, 487 F.2d 423, 425-26 (9th Cir. 1973)). In this case, Nelson undoubtedly waived any objection based on insufficiency of process and lack of personal jurisdiction.

Were the law otherwise, defendants could abuse the judicial process by taking a "free shot" on the merits, and if unsuccessful, claim jurisdiction was lacking, forcing courts to undo months – or years – of needless litigation. As long ago noted by this Court, such behavior is unacceptable.

> Public policy dictates that there be an end of litigation; that those who have contested an issue shall be bound by the result of the contest, and that matters once tried shall be considered

> forever settled as between the parties. We see no reason why this doctrine should not apply in every case *where one voluntarily appears, presents his case and is fully heard*, and why he should not, in the absence of fraud, be thereafter *concluded by the judgment of the tribunal to which he submitted his cause.*

Baldwin v. Iowa State Traveling Men's Association, 283 U.S. 522, 526 (1931) (emphasis added). *See also Alger v. Hayes*, 452 F.2d 841, 845 (8th Cir. 1972) ("We think this plays 'fast and loose' with the power of the federal court and we disavow tolerance of such a procedure."); and *Yeldell v. Tutt*, 913 F.2d 530, 539 (8th Cir. 1990) (Full participation in litigation "without raising the issue of personal jurisdiction or requesting a ruling on it . . . is the type of situation the Federal Rules of Civil Procedure seek to avoid.").

The policy behind the waiver rule is obvious. As noted in *Barnstead Broadcasting Corporation v. Offshore Broadcasting Corporation*, 869 F.Supp. 35 (D.D.C. 1994), "[t]he purpose of requiring all jurisdictional defenses to be raised promptly is to eliminate unnecessary delays . . . ." *Id.* at 38. Consequently,

> 'If a party enters a case, makes no objection to [personal] jurisdiction, and asks the court to act on its behalf in some substantive way, *it will be held to have waived further objection.*'

Id. (Court's bracketed insert) (emphasis added). *See also Consolidated Rail Corporation v. Grand Trunk Western Railroad*, 592 F.Supp. 562, 567 (E.D. Pa. 1984) (This "stringent" rule "reflects a *strong public policy* against tardily raised defenses that go not to the merits of the case but to the

legal adequacy of initial steps taken by the plaintiff in his litigation.") (emphasis added).

Indeed, such "fast and loose" behavior or tardiness is directly contrary to both the spirit and substance of the rules of procedure.

> [Full participation] in litigation of the merits . . . without contesting personal jurisdiction . . . did not comply with the *spirit of the rule*. . . . The district court could properly conclude that the defendant's delay in urging this threshold issue manifests an intent to submit to the court's jurisdiction.

Continental Bank N.A. v. Meyer, 10 F.3d 1293, 1297 (7th Cir. 1993) (emphasis added).

Of course, we do not quarrel with Nelson's general assertions to the effect that personal jurisdiction "is dependent not only on the compliance with due process but also on compliance with the technicalities of Rule 4." *Coleman v. Kaye*, 87 F.3d 1491, 1498 (3d Cir. 1996). However, as emphasized by the Court therein,

> This analysis is not controlling, however, when a party submits itself to the jurisdiction of the district court, thereby waiving any claim the district court lacked *in personam* jurisdiction.

Id.

Common sense, as well as the spirit and substance of the federal rules, mandates such a conclusion. Again, the very purpose of personal service of process and pertinent guarantees of due process are to provide *notice* of the proceeding and of the requested relief. Any entry of an

appearance, *ipso facto*, evidences a party's actual notice of the proceeding against him.

> Since the notice requirements may well be equated with service of process of ordinary pleading, it should be equally clear that the failure of a party to object at the first opportunity available to it to raise the question by motion amounts to a waiver of whatever rights the party may have had. . . . [especially since the complaining party] *actually received all the benefits it would have been entitled to with the notice.*

T & R Enterprises, Inc. v. Continental Grain Company, 613 F.2d 1272, 1277 (5th Cir. 1980) (emphasis added). *See also Nester v. Hershey*, 425 F.2d 504, 522 (D.C. Cir. 1969) ("Personal jurisdiction . . . was established when without objecting they entered a general appearance.").

Consequently, it is well settled that even in situations where a court has no jurisdictional power over a person, such defense is waived if the person *"submits to its jurisdiction by moving or pleading." Zelson v. Thomforde*, 412 F.2d 56, 58, n.8 (3d Cir. 1969) (Court's emphasis).

This is true even if the party was *never served* with process. *See Rowley v. McMillan*, 502 F.2d 1326, 1332 (4th Cir. 1974) (Even if defendant was never served with process, by virtue of an entry of appearance, "the objection has been waived and may not be asserted in this appeal."). *See also Pardazi v. Cullman Medical Center*, 896 F.2d 1313, 1317 (11th Cir. 1990).

Prior to the entry of the order joining Nelson, he opposed the joinder motion in the name of his company, OCP. After the District Court joined Nelson, he then challenged the amendment in his *individual* capacity. On

April 8, 1998, he filed the Motion of Donald A. Nelson to Alter & Amend March 25, 1998 Memorandum Opinion and Judgment Entry. (Docket Entry No. 133 [J.A. at 30].) Nowhere in either appearance was there mention of any objection to the sufficiency of process or the validity of the Court's exercise of personal jurisdiction.

Despite Nelson's desire to visit such an issue now, it is well-settled that "[i]f a party enters a case, makes no objection to [personal] jurisdiction, and asks the court to act on its behalf in *some substantive way*, it will be held to have *waived further objection.*" *Trans World Airlines, Inc. v. Mattox*, 897 F.2d 773 (5th Cir. 1990) (emphasis added), *cert. denied*, 498 U.S. 926 (1990). In other words, a party seeking to challenge sufficiency of process or the validity of the Court's exercise of personal jurisdiction "must do so 'in their first defensive move.' " *Barnstead Broadcasting, supra*, 869 F.Supp. at 38 (*quoting Manchester Knitted Fashions, Inc. v. Amalgamated Cotton Garment Fund*, 967 F.2d 688, 691-92 (1st Cir. 1992) and *citing Wyrough & Loser, Inc. v. Pelmor Laboratories, Inc.*, 376 F.2d 543 (3d Cir. 1967); and *Backo v. Local 281, United Brotherhood of Carpenters and Joiners*, 308 F.Supp. 172, 176 (N.D.N.Y. 1969), *aff'd*, 438 F.2d 176 (2d Cir. 1970)). *See also T & R Enterprises, supra*, 613 F.2d at 1277 ("[I]t should be equally clear that the failure of a party to object at the first opportunity available to it to raise the question by motion amounts to a waiver of whatever rights the party may have had.").

In this case, Nelson clearly made such a "first defensive move" without any objection related to the sufficiency of process or the exercise of jurisdiction. Then Nelson followed his initial general appearance with a series of additional defensive moves without ever raising

these issues, including the filing of a reply brief supporting his April 8, 1998 Motion to Alter or Amend (Docket Entry No. 146 [J.A. at 31]); a response brief opposing Defendants' Supplemental Petition for Attorneys' Fees (Docket Entry No. 151 [J.A. at 32]); and the prosecution of a complete appeal to the Court of Appeals for the Federal Circuit, including requesting rehearing by the panel and rehearing *en banc*. *See Ohio Cellular Products Corporation v. Adams USA, Inc., supra,* 175 F.3d 1343. Not until after the appellate affirmance of the judgment against him did Petitioner ever claim that jurisdiction was lacking and that he was denied due process.

As noted by the Seventh Circuit, "[o]nce the defendant has waived objections based on insufficiency of process and submitted generally to the jurisdiction of the court, *the court is powerless to dismiss the suit for lack of personal jurisdiction.*" *O'Brien v. R. J. O'Brien & Assoc., Inc.,* 998 F.2d 1394 (7th Cir. 1993) (emphasis added) (*citing Pusey v. Dallas Corp.,* 938 F.2d 498, 501 (4th Cir. 1991)). *See also Pardazi, supra,* 896 F.2d at 1317.

Furthermore, even if one *does* challenge personal jurisdiction in a boilerplate manner, but then fails to press the defense while continuing with the litigation, the defense is waived. That is to say, a party waives his defense of lack of personal jurisdiction when his conduct does "not reflect a *continuing* objection to the power of the court to act over the defendant's person." *Alger, supra,* 452 F.2d at 844 (emphasis added). *See also Continental Bank, supra,* 10 F.3d at 1297 (The "defendants fully participated in litigation of the merits for over two-and-a-half years without actively contesting personal jurisdiction . . . .The District Court could properly conclude that

the defendants' delay in urging this threshold issue manifests an intent to submit to the court's jurisdiction.").

Finally, Nelson claims any entry of a personal appearance post-judgment cannot constitute a waiver of any defense of lack of personal jurisdiction or insufficiency of process, even though the lack of jurisdiction is not asserted simultaneously with the post-judgment entry of appearance.

Nelson is mistaken. Even when a defendant's initial appearance is post-judgment, such an appearance constitutes waiver of any defenses of lack of personal jurisdiction and insufficiency of process if those defenses are not asserted in the appearance.

Again, as noted by Justice Brandeis, "[d]ue process requires that there be an opportunity to present every available defense; *but it need not be before the entry of judgment.*" *American Surety Company, supra,* 287 U.S. at 168 (1932) (emphasis added). *See also Moore Ice Cream Co. v. Rose,* 289 U.S. 373, 384 (1933); *People of the State of Illinois, ex rel. Neil F. Hartigan v. Peters,* 871 F.2d 1336, 1341 (7th Cir. 1989); and *Turner v. Kirkwood,* 62 F.2d 256, 260 (10th Cir. 1932).

The Seventh Circuit has similarly refuted the assertion that such "waiver can never be based on postjudgment conduct", holding that "[t]his court has, in fact, found waiver where the conduct relied upon by the district court occurred *after entry of default* [judgment]." *Trustees of Central Laborers' Welfare Fund v. Lowery,* 924 F.2d 731, 733 (7th Cir. 1991) (emphasis added) (*citing Bally Export Corp. v. Balicar, Ltd.,* 804 F.2d 398, 405 (7th Cir. 1986) and *J. Slotnik Co. v. Clemco Industries,* 127 F.R.D. 435,

440-41 (D. Mass. 1989)). In short, "[j]ust as a defendant may waive a defense . . . before entry of judgment, so too can a defendant waive the defense *at a later time*. . . . " *Trustees, supra,* 924 F.2d at 733 (emphasis added).

Similarly, in *O'Brien, supra,* the judgment debtor's initial appearance was a post-judgment motion to vacate a default judgment. Later, as in the present action, the defendant filed a second motion to vacate – only then claiming a "lack of jurisdiction." *Id.* at 1397. Affirming the order overruling the belated jurisdictional challenge, the appellate court noted,

> We agree with the district court that RJO waived any challenge to personal jurisdiction by failing to raise the issue in its initial motion to vacate. . . .

O'Brien, supra, 998 F.2d at 1398-99.

Nelson seeks to ignore the uniformity of these principles, erroneously claiming the Third Circuit allowed a party to wait *post appeal* before first asserting a jurisdictional defense in *Orange Theatre Corporation v. Rayherstz Amusement Corporation,* 139 F.2d 871 (3d Cir. 1944), *cert. denied sub nom., Orange Theatre v. Brandt,* 322 U.S. 740 (1944). Nelson materially misconstrues that holding. In *Orange Theatre,* the District Court granted a motion to dismiss on venue grounds, which order was reversed on appeal. On remand, the District Court again dismissed on venue grounds. In the second appeal, the court realized the *actual ground* asserted for dismissal was lack of jurisdiction. Rather than approving a belated assertion of the defense, the court specifically held the jurisdictional question was "open for consideration" only because "it

was clearly raised in the [initial] motion." *Id.* at 873. The Third Circuit did not, as Nelson contends, hold that a party may revive a waived jurisdictional defense. Quite to the contrary, consistently thereafter, the Third Circuit has clearly stated that a jurisdictional defense is waived – and lost – if not asserted in a party's first defensive move. *See, e.g., Coleman, supra,* 87 F.3d at 1498 (Due process or personal jurisdiction defect waived "[w]hen a party submits itself to the jurisdiction of the district court"; "If a defendant appears in the action, he must interpose any *** objections he may have.") (Court's ellipsis). *See also Zelson, supra,* 412 F.2d at 59 ("[P]ersonal jurisdiction may be conferred by failure to object.").

Nelson also misconstrues this Court's decision in *Zenith Corp. v. Hazeltine,* 395 U.S. 100 (1969). There, "Hazeltine filed a *'special appearance.'* " *Id.* at 109 (emphasis added). It is well recognized that the very purpose of a "special appearance" *is to object* to a court's exercise of jurisdiction. By entering only a "special appearance," Hazeltine preserved the jurisdictional issue for appeal. Here, Nelson made no such special appearance and thus waived his objections, thereby foreclosing any further review of the sufficiency of process and the Court's exercise of personal jurisdiction.

B. Nelson Is Precluded From First Raising With This Court Any Issues Not Raised In The Intermediate Appellate Court.

In his Brief, Petitioner states that two of the questions presented related to issues of personal jurisdiction and service of process, specifically:

> Whether a United States District Court can bind a non-party to a judgment without first obtaining jurisdiction over that non-party and affording that non-party the opportunity to defend against his personal liability on the merits.
>
> Whether a United States District Court, consistent with the Federal Rules of Civil Procedure and the due process clause of the Fifth Amendment to the United States Constitution, can assess attorneys' fees against a non-party pursuant to 35 U.S.C. § 285 without first securing service of process upon, and jurisdiction over, that non-party.

It is important to note that *Petitioner is a party*. The very order sought to be reviewed is the order *which made Petitioner a party*. Indeed, Petitioner "does not challenge the district court's decision to grant respondents leave to . . . (2) join petitioner as a new party defendant . . . ." Petition for Cert. at p. 7. Nevertheless, Petitioner continues to characterize himself as a "non-party" and then asks the Court to review issues of law and fact not pressed in the record on review.

After the District Court entered the order granting Adams leave to amend the third-party complaint to name Petitioner as a third-party defendant, and to amend the judgment to include Petitioner as an additional party against whom judgment is entered, Petitioner sought review and reconsideration of that decision. Nowhere in that motion did Petitioner raise any objection based on jurisdiction or due process grounds. Rather, Petitioner argued *only* that the District Court had no statutory authority to assess attorneys' fees against him. Similarly,

before the Federal Circuit, Petitioner again asserted that there was no express statutory basis for imposing liability for attorneys' fees against him, and also asserted that he was prejudiced by the delay in the joinder, but never asserted any jurisdiction or due process defenses.

Now, Petitioner claims he was never served with process, thus denied due process and precluded from asserting assorted boilerplate defenses, namely (1) lack of personal jurisdiction; (2) some unspecified statute of limitations; (3) laches; and (4) unclean hands.

Nowhere in the record on review did Petitioner ever attempt to assert *any of these defenses*, nor did he ever question the exercise of jurisdiction over him. Rather, the issue presented to the Federal Circuit was essentially limited to whether delay barred the amendment, which assertion Petitioner has now abandoned. *See* Petition for Cert. at p. 7.

Recently, after the Federal Circuit affirmed the fee award against him, Petitioner did file with the District Court a Fed. R. Civ. P. 60(b)(4) motion collaterally attacking the judgment then claiming for the first time that he was never personally served with process. *See* Petition for Cert. at pp. 6-7. However, because Petitioner personally entered his appearance without raising any of the issues now sought to be raised, the District Court rejected the collateral attack, holding it to be "meritless." A full text copy of this opinion and order may be found in the Appendix to Respondents' Brief in Opposition to the Petition for Cert. In pertinent part, the District Court held:

Nelson's argument is meritless. Courts addressing waiver of objections to personal jurisdiction or service of process have consistently held that those defenses are waived if not raised in a defendant's first significant defensive move. . . .

Defendants moved to add Nelson as a third-party Defendant in this case on February 3, 1998. It is not disputed Nelson had actual knowledge of Defendants' third-party claim. . . . Plaintiff Ohio Cellular Products, which is completely controlled by Nelson, opposed Defendants' motion to add Nelson as a third-party defendant on the merits, without ever raising a challenge to personal jurisdiction or service of process. Nelson personally moved for reconsideration . . . without ever raising a challenge to personal jurisdiction or service of process. Nelson then appealed this Court's decision to the Federal Circuit, and conducted his appeal in this own name for over a year, *without ever raising a challenge to personal jurisdiction or service of process*. . . .

Since Nelson did not object to either personal jurisdiction or service of process at the proper time, those objections are waived.

Appendix to Respondents' Brief in Opposition to the Petition for Cert. at pp. 6-7 (emphasis added).

It is hornbook law that "new questions may not be raised for the first time on Supreme Court review." 17 *Wright and Miller on Federal Practice* § 4036 at p. 35 (2d ed. 1988). This Court has reiterated this fundamental precept time and again. For example, in *Browning-Ferris Industries v. Kelco Disposal*, 492 U.S. 257 (1989), Petitioner argued

that the Court should review a punitive damages award on the basis that it was violative of due process. This Court disagreed, noting:

> Petitioners claim that the due process question is within the 'clear intendment' of the objection it has made throughout these proceedings. Our review of the proceedings in the District Court and the Court of Appeals shows that petitioners' primary claim in both of those courts was that the punitive damages award violated Vermont state law. Petitioners also argued that the award violated the Eighth Amendment. We fail to see how the claim that the award violates due process is necessarily a part of these arguments. We shall not assume that a nonconstitutional argument also includes a constitutional one, and shall not stretch the specific claims made under the Eighth Amendment to cover those that might arise under the Due Process Clause as well . . . . In the absence of a developed record on the issues relevant to this due process inquiry, we shall not stretch the 'clear intendment' doctrine to include this case, as we do not think that the due process question is 'only an enlargement' of the Eighth Amendment inquiry. Although the due process analysis of an award of punitive damages may track closely the Eighth Amendment analysis suggested by petitioners, we shall not assume that to be the case and shall not attempt to decide the question *in the absence of a record on the due process point developed in the District Court and the Court of Appeals.*

Id. at 277, n.23 (emphasis added). *See also Duignan v. United States*, 274 U.S. 195, 200 (1927) ("The Court below in enumerating the questions raised and presented made

no mention of the constitutional question . . . and so far as the record discloses, it was not presented there. . . . This court sits as a court of review."); and *Heckler v. Campbell*, 461 U.S. 458, 468-69, n.12 (1983) ("Respondent did not raise either her due process or her regulatory argument below. . . . Again respondent appears not to have presented her . . . argument to the Court of Appeals, and we decline to reach it here.").

When presented with similar factual circumstances, Courts of Appeal have uniformly reached the same conclusion. For example, in *Engineers Ass'n, supra*, Defendant failed to object to the initiation of proceedings through a "Petition and Notice of Motion", rather than the required complaint and service of summons. On appeal, the Second Circuit recognized that Plaintiff may have failed to follow the prescribed guidelines for instituting the action, but ruled that Defendant's failure to raise an objection prior to appeal constituted a waiver, precluding Defendant from asserting the objection on appeal. *Id.*, 251 F.2d at 135.

Similarly, in *Carter, supra*, an order was issued by the District Court requiring Defendants to show cause why a requested injunction should not be granted. On appeal, the Defendants first contended that "the order to show cause was insufficient process." *Id.*, 104 F.2d at 430. The Fifth Circuit rejected such contention, holding that "[t]his defense comes too late, having been made for the first time on the briefs in this court." *Id. See also Preferred RX, Inc. v. American Prescription Plan, Inc.*, 46 F.3d 535, 549 (6th Cir. 1995) ("[T]his court will not consider issues not presented in the district court but raised for the first time on appeal."); *F.D.I.C. v. Mijalis*, 15 F.3d 1314, 1327 (5th Cir. 1994) ("If an argument is not raised to such a degree that the district court has an opportunity to rule on it, we will not address it on appeal."); *Brickner v. Voinovich*, 977 F.2d 235, 238 (6th Cir. 1992) ("None of these arguments were pleaded, or adequately raised or preserved in the District Court. Consequently, they are waived on appeal."); and *McCoy v. Massachusetts Institute of Technology*, 950 F.2d 13, 22 (1st Cir. 1991) ("It is hornbook law that theories not raised squarely in the district court cannot be surfaced for the first time on appeal.").

Ironically, Petitioner laments that "rather than address the due process issues, both the district court and the court of appeals focused their inquiry on the liberal amendment provisions of Fed. R. Civ. P. 15(a). . . . " Petition for Cert. at p. 11. We agree. The District Court and Federal Circuit did not address the "due process" issues now sought to be presented, but only because *these issues were never raised by Petitioner*. At this late juncture, Petitioner is precluded from raising these issues for the first time.

CONCLUSION

An individual patent applicant who engages in inequitable conduct may be joined as a party and held liable for attorneys' fees in litigation instituted by his company to enforce patents obtained as the fruits of his inequitable conduct.

The District Court found, as a matter of fact, Nelson controlled the litigation on behalf of his company and that Nelson and OCP had a unity of interest in the

litigation. Nelson did not appeal these findings. Furthermore, as found by the District Court, Nelson – and Nelson alone – committed the inequitable conduct which gave rise to the attorneys' fee award. Nelson did not appeal this finding. The District Court did not abuse its discretion in amending the complaint to add Nelson as a party.

Consequently, the decision of the Federal Circuit should be affirmed.

Respectfully submitted,

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